

FISCAL NOTE

Bill #: SB0118 **Title:** License plates -- delay new issue, change costs, generic specialty plates

Primary Sponsor: Depratu, B **Status:** FINAL

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY 2004 Difference	FY 2005 Difference
Expenditures:		
General Fund	(\$2,649,265)	(\$11,374)
Revenue:		
General Fund	(\$483,421)	(\$591,813)
Other Funds	\$2,800	\$2,800
Net Impact on General Fund Balance:	\$2,165,844	(\$580,439)

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| <input type="checkbox"/> Significant Local Gov. Impact
<input checked="" type="checkbox"/> Included in the Executive Budget
<input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Technical Concerns
<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input checked="" type="checkbox"/> Needs to be included in HB 2 |
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Fiscal Analysis

ASSUMPTIONS:

Department of Justice

1. Delaying the new general issue of license plates from 2004 to 2008 will result in a savings of \$251,415 in operating expenditures for FY 2004. (Contracted services \$18,700; printing \$1,200; gasoline \$1,375; supplies (including decals) \$183,440; postage \$25,200; travel \$1,300; equipment rental \$12,500; freight \$7,700 = \$251,415)
2. Annual operating costs will be reduced by approximately \$1,225 in supplies, postage, freight, and equipment maintenance due to the conversion of the distribution of the amateur radio operator license plate reporting to an electronic format.
3. Administrative expense will increase by \$28,004 in FY 2004 to provide for programming changes and computer processing costs to change administrative fees for various license plates, create an electronic file listing the amateur radio plate owners for emergency services, change the system to charge the generic specialty plate sponsor fees, allow more types of vehicles to display generic specialty plates, create a generic specialty plate count report that counties can run monthly to submit to DOR, and remove certain penalties from being allowed to be registered permanently.

Department of Corrections

4. In addition to current level base expenditures the Department of Corrections would need, and have submitted, a DP for \$2,995,008 in FY 2004 and \$580,228 in FY 2005 in general funds to comply with

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current law. With passage of SB118, this present law adjustment is not needed (this PL adjustment is included in the executive budget).

5. SB118 allows for the conversion of all license plates to the digital method of production. The annual projected cost of producing 500,000 license plates with this method is estimated at \$1,033,390 per fiscal year. The annual adjusted base budget for the License Plate Factory is \$448,751. The present law adjustment requested in the Governor's budget to cover inmate payroll is \$14,560. The difference of \$570,079 is needed for adequate funding with the passage of SB 118. The entire funding request of \$1,033,390 is as follows: Print heads \$77,000, sheeting, ribbons and clear laminate \$427,500, aluminum \$145,000, inventory carryover \$25,225, miscellaneous supplies \$15,000, other services \$6,000, utilities \$6,000, repair and maintenance \$5,000, other expenses \$1,000, personal services \$94,397, inmate payroll \$14,560, digital license plate system lease \$216,708.
6. The net savings to the general fund is \$2,424,929 for FY 2004 ($\$570,079 - \$2,995,008 = -\$2,424,929$) and \$10,149 for FY 2005 ($\$570,079 - \$580,228 = -\$10,149$).
7. Section 12 includes an increase in the specialty plate application fee from \$1,200 to \$4,000 to be deposited in the Industries Program. It is the intent of MCE that \$2,000 of this fee be deposited in the industries proprietary account to cover the cost of the graphics design work and \$2,000 be deposited in the general fund to offset the cost of the supplies needed to produce the sample plates in the beginning of a new plate production period.
8. The Digital License Plate equipment uses computer technology that is ever changing. It is anticipated that upgrades will need to be made to the system at some time in the future. It is hopeful that the upgrades will not need to be made until the end of the lease period, which is 12/31/06. It is anticipated that upgrades needed after that time will be less costly than the annual lease payment of \$216,708.

Department of Revenue

9. This bill increases the current law fee for issuance of new number plates from \$2 to \$5; increases the fee for *replacing* number plates from \$2 to \$5; and increases the initial application and manufacturing fee for collegiate plates from \$2.50 to \$5; beginning January 1, 2004. The bill also delays the issuing of new motor vehicle number plates from calendar year 2004 to calendar year 2006. Finally, this bill increases the initial application administrative fee for generic specialty license plates from \$10 to \$15; increases the share of this fee going to the state general fund from \$8 to \$10; and increases the share going to county general funds from \$2 to \$5. The increase of the generic special license plate administration fee is effective July 1, 2003.
10. The impacts of increasing the fee for the initial application and manufacturing of collegiate plates is assumed to be *de minimus*.
11. Based on data from the calendar year 2001 motor vehicle database, it is assumed that 65% of motor vehicle license plates will be replaced within the first year after new plates begin to be issued. The remaining 35% of motor vehicle license plates will be replaced in the year after new plates begin to be issued. In the current license plate cycle all existing plates are replaced in the first two years, with little or no replacement of existing plates in the last two years of the four-year cycle.
12. A growth rate of 2.4% is applied to the counts of motor vehicles required to have a license plate. Included in this growth rate is the assumption that there will be 32,183 new motor vehicles registered in calendar 2004 and 32,955 registered in calendar year 2005. These vehicles will be required to purchase initial new license plates. By increasing the fee from \$2 to \$5, the general fund will see an increase of \$48,275 in fiscal year 2004 from purchasing of licenses plates for new motor vehicles ($32,183 \times \$3 \times .5 = \$48,275$). In fiscal year 2005, the general fund will see an increase of \$97,708 from the purchase of licenses plates for new motor vehicles ($(32,183 \times \$3 \times 0.5) + (32,955 \times \$3 \times 0.5) = \$97,708$).
13. In calendar year 2001 195,027 vehicles that were not new were issued new plates. A growth rate of 2.4% is applied to the counts of motor vehicles required to have a license plate. These vehicles will be required

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to purchase initial new license plates. By increasing the fee from \$2 to \$5, the general fund will see an increase of \$314,114 in fiscal year 2004 from purchasing of licenses plates for new motor vehicles ($209,409 \times \$3 \times .5 = \$314,114$). In fiscal year 2005, the general fund will see an increase of \$635,766 from the purchase of licenses plates for new motor vehicles ($((209,409 \times \$3 \times 0.5) + (214,435 \times \$3 \times 0.5) = \$635,766$).

14. Section 14 of the bill raises the initial application for generic specialty licenses plates administrative fee from \$10 to \$15, with the state general fund portion going from \$8 to \$10. Based on actual collections to date from this fee reported on the county collections report for fiscal year 2003, it is assumed that 22,820 vehicles will pay this fee in fiscal year 2003. Given a state general fund fee increase of \$2, the state general fund will see an increase of \$46,735 in fiscal year 2004 ($22,820 \times 1.024 \times \$2 = \$46,735$); and \$47,857 in fiscal year 2005 ($22,820 \times 1.024 \times 1.024 \times \$2 = \$47,857$).
15. Because the bill delays the issuance of new number plates from January 1, 2004 to January 1, 2006, revenue from new plates that would have occurred in fiscal years 2004 and 2005 is delayed until fiscal years 2006 and 2007. This will cause general fund revenue generated from the issuance of new license plates *decrease* by \$892,544 in fiscal year 2004 and \$1,373,144 in fiscal year 2005.
16. The net impact of increasing the license plate fee on new motor vehicles, increasing the generic specialty license plate administration fee, and delaying the issuance of new number licenses plates is (\$796,412) in fiscal year 2004 and (\$1,226,431) in fiscal year 2005. The following table shows the net impact of this bill in the 2007 biennium as well.

Impact of SB118 on Motor Vehicle Fee Collections				
	FY2004	FY2005	FY2006	FY2007
New Vehicle Licenses Plates	48,275	97,708	100,053	102,454
New Licenses Plates - Not New	314,114	635,766	651,024	666,648
Generic License Plate Fee	46,735	47,857	49,006	50,182
Fee for New Replacement Licenses Plates	(892,544)	(1,373,144)	1,750,759	3,432,860
Net Change to Revenue	(483,421)	(591,813)	2,550,841	4,252,144

FISCAL IMPACT:

Department of Justice

Expenditures:

Operating Expenses

FY 2004
Difference

(\$224,636)

FY 2005
Difference

(\$1,225)

Funding of Expenditures:

General Fund (01)

(\$224,636)

(\$1,225)

Department of Corrections

Expenditures:

Operating Expenses (Savings From CL)

(\$2,995,008)

(\$580,228)

Operating Expenses (Needed with Bill)

\$570,079

\$570,079

Funding of Expenditures:

General Fund (01)

(\$2,424,929)

(\$10,149)

Total Revenues:

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Other Funds (06)	\$2,800	\$2,800
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Department of Revenue

Revenues:

General Fund (01)	(\$483,421)	(\$591,813)
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Total Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	\$2,165,844	(\$580,439)
Other Funds (06)	\$2,800	\$2,800

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. SB 118 increases the administrative fee going to the counties from \$2 to \$5 per set on generic specialty license plates. Using the projection of 30,000 sets annually, the increase to the counties will be \$90,000 per year.

LONG-RANGE IMPACTS:

1. The general fund will continue to see these increases in revenues beyond FY 2004 and FY 2005. The lease on the Digital License Plate System expires 12/31/06. At this time the 3M Company has offered the buy out of the equipment for a cost of \$1 in FY 2007. Department of Corrections cost of Reissue in FY2006 and 2007 will be approximately \$3.0 million and \$1.7 million respectively. Department of Justice costs in FY2006 would be \$.26 million.
2. Starting in fiscal year 2006 motor vehicle owners will be required to replace their current licenses plates with a new issue plate. General fund revenue from license plate fee changes provided for in this bill will increase by \$2.5 million in fiscal year 2006 and by \$4.2 million in fiscal year 2007.
3. The net effect on the general fund is anticipated to be a loss of \$.76 million in FY2006 and a gain of \$2.54 million in FY2007.